



ECONOMIC INDICATORS[®]

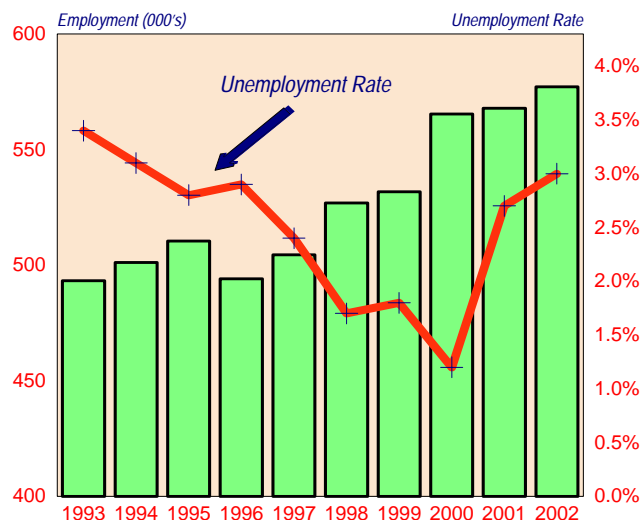
FAIRFAX COUNTY
DEPARTMENT OF MANAGEMENT AND BUDGET

OCTOBER 2002

In this issue . . .

- ☐ The August unemployment rate in Fairfax County increased to 3.0 percent—a 0.1 point increase over July.
- ☐ Sales Tax receipts for Fairfax County have increased 0.2 percent over the first three months of FY 2003.
- ☐ The overall growth rate of new residential permits has increased by 3.9 percent year-to-date. Through September, multifamily permits are up 26.6 percent, while single family permits are down 11.3 percent.
- ☐ According to homes sales data through August, sales volume was up for existing homes and down for new homes, except for new townhomes which were up 9.5 percent. Median sales prices showed growth for both existing and new home sales.
- ☐ According to the Economic Development Authority, the office vacancy rate as of mid-year 2002 is 10.2. However, once sublease space is included, the rate jumps to 16.5 percent.
- ☐ Consumer Confidence fell again in October. Consumers' assessments of business and employment conditions were less optimistic than last month.
- ☐ In August, the Metropolitan Washington Coincident increased slightly, while the Fairfax County Coincident Index declined 1.2 percent from July. Sluggish job growth and uncertainty among investors and consumers have slowed the recovery process in the local economy.
- ☐ Both the Fairfax County and Metropolitan Washington Leading Indices increased in August. Both leading indices are continuing to track above their historical trend lines, indicating that the region's economy will start to expand in the next two quarters.

RESIDENTIAL EMPLOYMENT - AUGUST



Source: Virginia Employment Commission
Compiled by the Fairfax County Dept. of Management and Budget

According to the Virginia Employment Commission (VEC), the August unemployment rate in Fairfax County increased 0.1 percentage point from July's revised unemployment rate. The August 2002 rate was 0.3 points higher than the August 2001 rate of 2.7 percent.

Statewide, the unemployment rate rose 0.1 point to 4.2 percent in August. The August jobless rate was 0.4 points above the August 2001 jobless rate of 3.8 percent, and the highest August unemployment rate in six years. According to the Virginia Employment Commission, the increase in unemployment was due to a seasonal reduction in the state's labor force as college students quit their jobs to go back to school. There were also more permanent layoffs in the Northern Virginia telecom industry as a result of financial and accounting problems revealed over the last year.



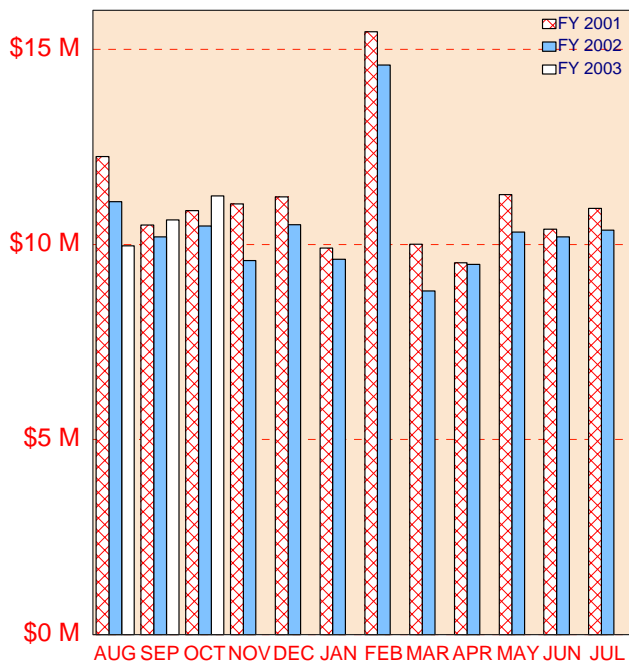
The *Fairfax County Economic Indicators* is on the Web and can be accessed at:

<http://www.fairfaxcounty.gov/comm/economic/economic.htm>

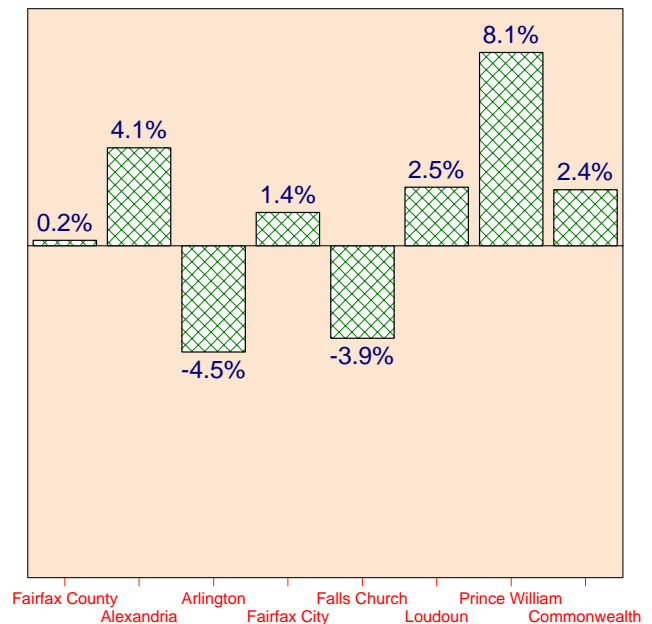


SALES TAX REVENUES

(revenues represent retail sales two months prior)



Source: Virginia Department of Taxation
Compiled by the Fairfax County Dept. of Management and Budget

**FY 2003 SALES TAX RECEIPTS
OCTOBER 2002**

Source: Virginia Department of Taxation
Compiled by the Fairfax County Dept. of Management and Budget

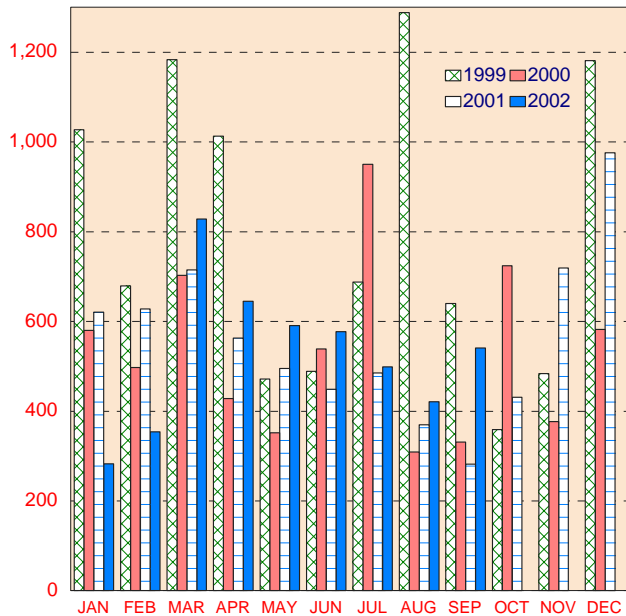
Fiscal year-to-date Sales Tax receipts through October are 0.2 percent higher than the same period last year. October Sales Tax receipts, which represent purchases made in August, increased 7.4 percent over the same month last year. While fiscal year-to-date receipts are slightly ahead of the same period of FY 2002, receipts are still 5.3 percent below the level achieved in FY 2001.

According to the Commerce Department, seasonally adjusted preliminary retail sales estimates for the U.S. in September decreased 1.2 percent from August, but were up 5.8 percent over September 2001. Compared to last year, health and personal care store sales were up 11.1 percent, building materials and garden equipment sales were up 11.3 percent, motor vehicle and parts dealers were up 7.5 percent, while gasoline station sales were down 2.4 percent from September last year.



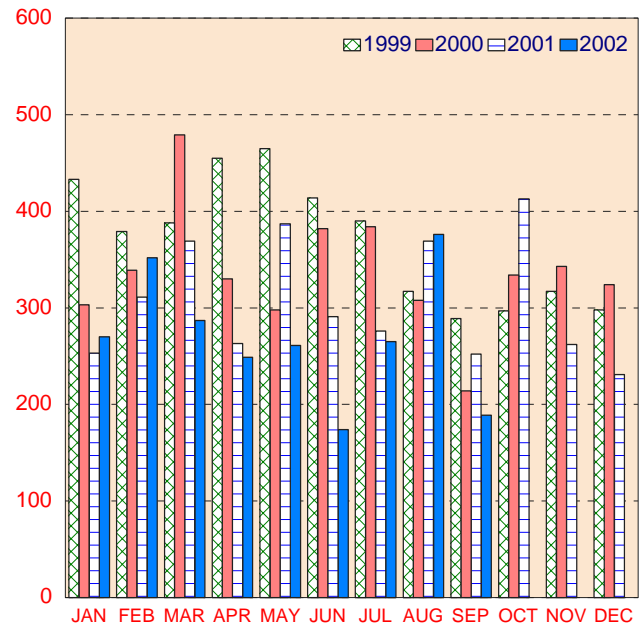
Sales Tax receipt growth through October is positive for the Northern Virginia localities, except for Arlington and Falls Church. These receipts correspond to retail purchases made June through August. Sales Tax receipts are up 1.4 percent in Fairfax City, 0.2 percent in Fairfax County, 4.1 percent in Alexandria, 2.5 percent in Loudoun County, and 8.1 percent in Prince William County, year-to-date. Arlington County and Falls Church experienced negative growth of 4.5 percent and 3.9 percent respectively, year-to-date. During this same period, Statewide Sales Tax receipts are up 2.4 percent.

NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW DWELLINGS



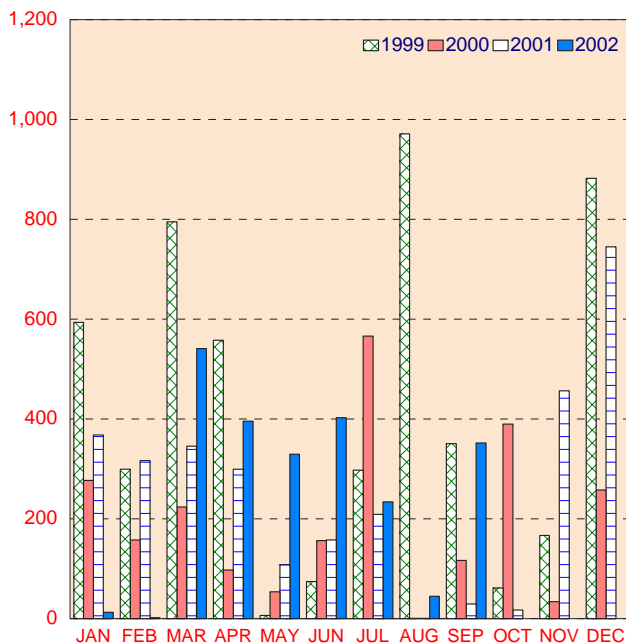
Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW SINGLE FAMILY DWELLINGS



Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW MULTIFAMILY DWELLINGS



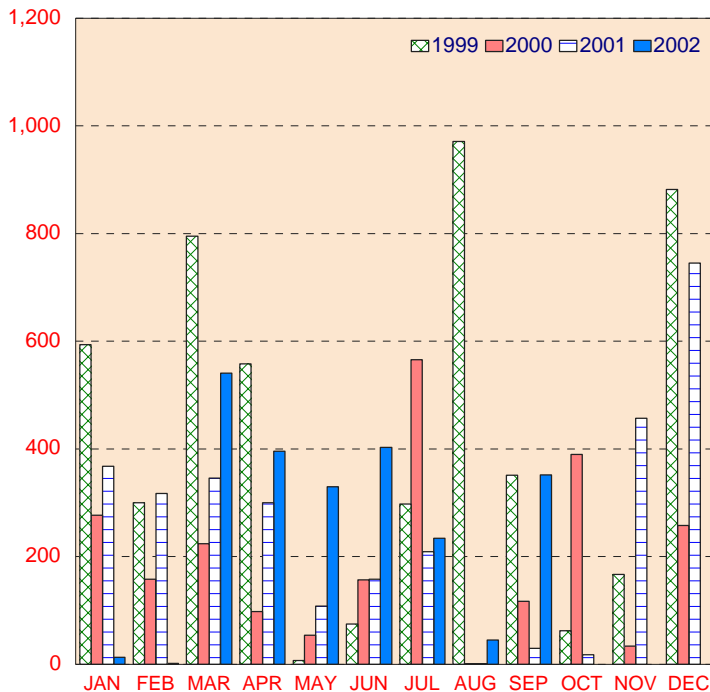
Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

Note: In August 2000 and 2001, only one multifamily permit was issued and in February 2002, only two permits were issued; therefore, the bars are too small to discern.

The overall growth rate of new residential permit categories has increased, year-to-date. Through September, new residential dwelling permits are up 3.9 percent, or 177 permits. Multifamily permits are up 26.6 percent, or 487 permits, year-to-date, while single family permits are down 11.3 percent, or 310 permits, over the same period.

Residential repair and alteration permits are up year-to-date. Through September, issues of residential repair and alteration permits have increased 7.6 percent, or 638 permits, over the same period last year.

NUMBER OF NONRESIDENTIAL BUILDING PERMITS ISSUED MONTHLY FOR NEW STRUCTURES

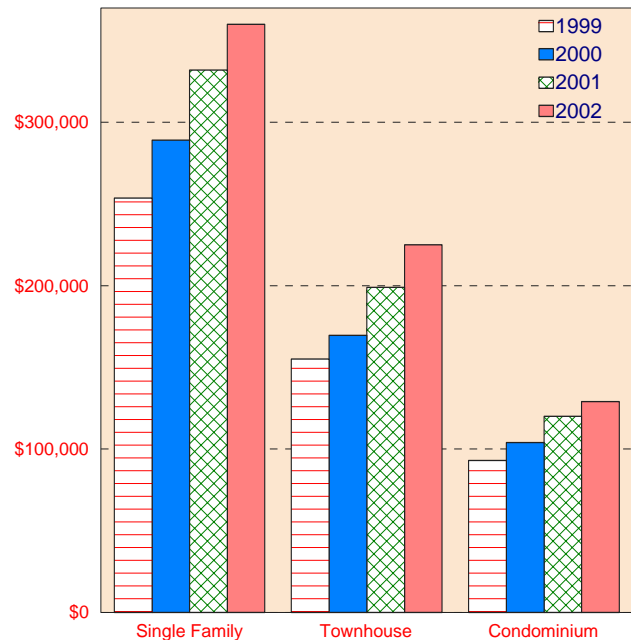


Source: Department of Public Works and Environmental Services
Compiled by the Fairfax County Dept. of Management and Budget

Note: In August 2000 and 2001, only one multifamily permit was issued and in February 2002, only two permits were issued; therefore, the bars are too small to discern.

HOME SALES IN FAIRFAX COUNTY

MEDIAN PRICE OF EXISTING HOMES SOLD JANUARY - AUGUST 2002 COMPARED TO ANNUAL MEDIAN PRICES 1999 - 2001



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Nonresidential building permits issued through September are down 30.9 percent, or 50 permits, from the same period in 2001. Nonresidential repair and alterations permits are down 12.3 percent, or 366 permits, year-to-date.

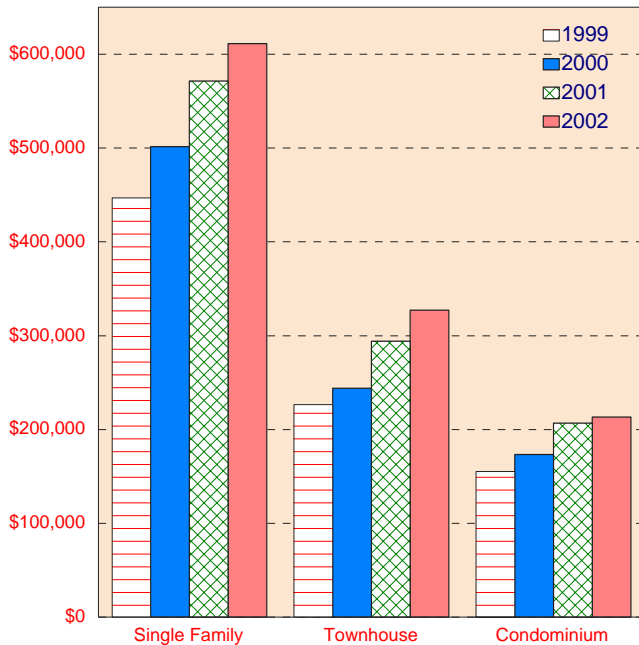
According to calendar year home sales data through August 2002, existing homes in Fairfax County experienced double-digit growth in median sales prices. For existing single family homes, the median sales price was \$372,500 compared to the 2001 median of \$330,500—growth of 12.7 percent. The median for townhomes grew 17.3 percent from \$199,000 in 2001 to \$233,500 and the median for condominiums increased from \$119,000 to \$135,000 representing growth of 13.5 percent.



OFFICE VACANCY RATE

According to the Fairfax County Economic Development Authority, the direct office vacancy rate in Fairfax County increased 59 percent during the first half of 2002 to 10.2 percent. This is the highest rate since 1993. Including available space for sublet, the office vacancy rate increases to 16.5 percent.

**MEDIAN PRICE OF NEW HOMES SOLD
JANUARY - AUGUST 2002 COMPARED TO
ANNUAL MEDIAN PRICES 1999 - 2001**



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Growth in median sales prices for new homes has been positive, but not as robust as sale prices of existing homes. Through August, the median sales price for a new single family home was \$611,064, an increase of 7.1 percent over the 2001 median. New townhomes increased 10.9 percent, from \$294,928 to \$327,183. The median sales price for condominiums increased 2.8 percent, from \$207,650 to \$213,435.

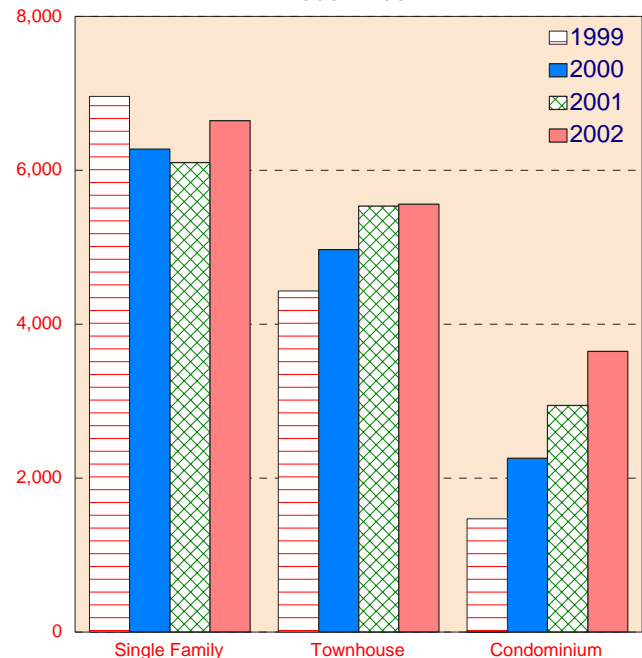
**PERCENTAGE CHANGE IN MEDIAN PRICE OF
HOMES SOLD YEAR-END 2001 COMPARED
TO SALES THROUGH AUGUST 2002**

	Existing Sales	New Sales
Single Family	12.7	7.1
Townhouse	17.3	10.9
Condominium	13.5	2.8

Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Changes in selling prices, coupled with the volume of sales, are generally considered reasonable indicators of the County's real estate market. Median selling price increases do not translate directly into assessment adjustments, however, since the mix of homes sold is not necessarily reflective of the County's entire housing stock. Changes in median selling prices are comparisons to the prices of homes sold during the prior year, and the type of homes sold (i.e., model, size, age, location, etc.) varies from one year to the next. The key factor in real estate assessments is not the change in the median sale price, but the relationship of assessments to selling prices within neighborhoods.

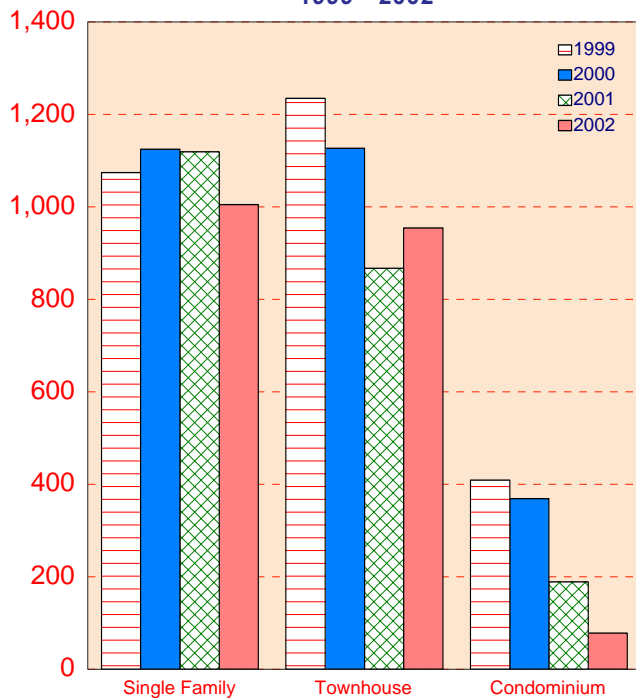
**NUMBER OF EXISTING HOMES
SOLD THROUGH AUGUST
1999 - 2002**



Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

Existing home sales volume was up for single family homes and condominiums, but down for townhomes through August 2002. Single family home sales increased 8.5 percent, from 6,128 to 6,647 and condominium sales were up 21.1 percent from 3,012 to 3,648 year-to-date. Townhome sales decreased 0.1 percent from 5,568 to 5,561, a difference of only 7 sales.

NUMBER OF NEW HOMES SOLD THROUGH AUGUST 1999 - 2002

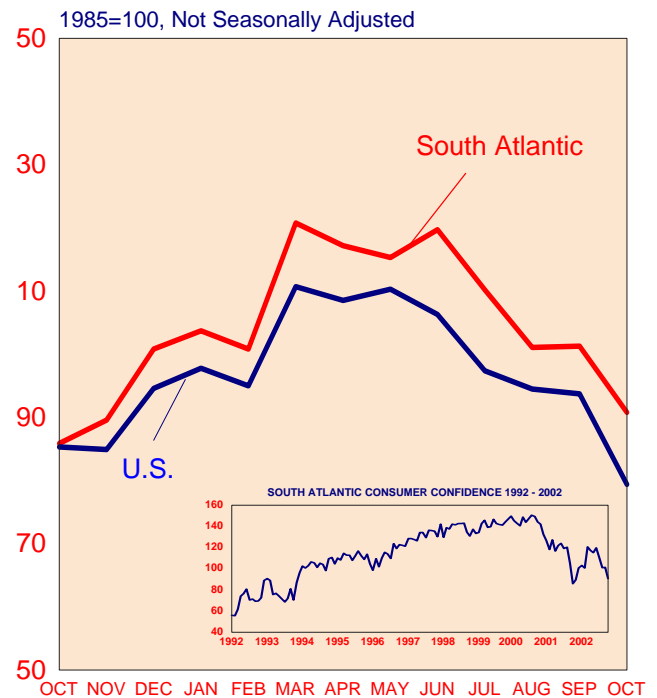


Source: Department of Tax Administration
Compiled by the Fairfax County Dept. of Management and Budget

New home sales volume was down for single family homes and condominiums but up for townhomes through August 2002. New condominium sales fell from 192 in 2001 to 78 in 2002—a decline of 59.4 percent. New townhome sales increased 9.5 percent, from 871 to 954, while single family home sales fell 10.8 percent, from 1,127 to 1,005 year-to-date.

ADDITIONAL INDICATORS

CONSUMER CONFIDENCE INDEX

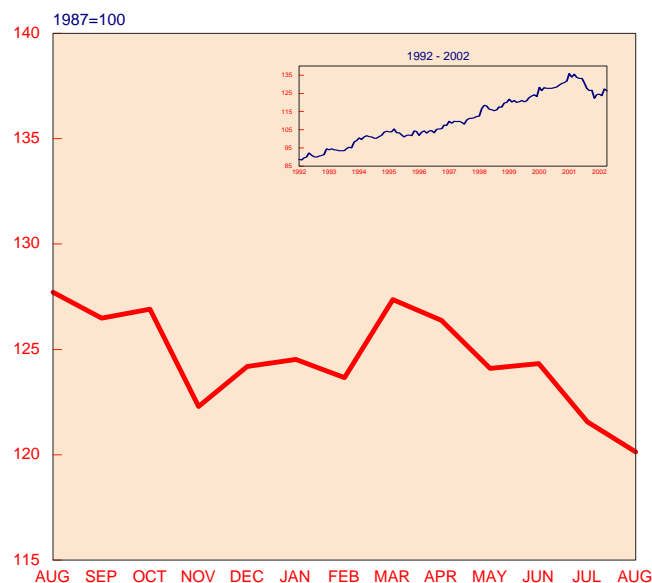


The Conference Board reports that the Consumer Confidence Index, which has fallen in the last four months, fell again in October. The Index now stands at 79.4, down 14.3 points from last month, and is at its lowest level since 1993. The Consumer Confidence Index is composed of two separate indices: the Present Situation Index and the Expectations Index. The Present Situation Index measures consumers' confidence in current business and employment conditions, while the Expectations Index measures consumers' confidence in business, employment, and family income prospects six months hence. The two indices are averaged to form the composite Consumer Confidence Index.

In October, the Present Situation Index fell 11 points from last month to 77.5. According to Lynn Franco, Director of the Conference Board's Consumer Research Center, consumers' short-term outlook was more negative this month. Weak labor market and business conditions and the threat of military action in Iraq, has affected consumer confidence. The Expectations Index also decreased in October, from 97.2 to 80.7. The percentage of consumers expecting business conditions to worsen over the next six months has increased since last month. Franco notes that the decline in both the Present Situation and Expectations Indices could signal a further weakening of the economy and a slow holiday retail season.

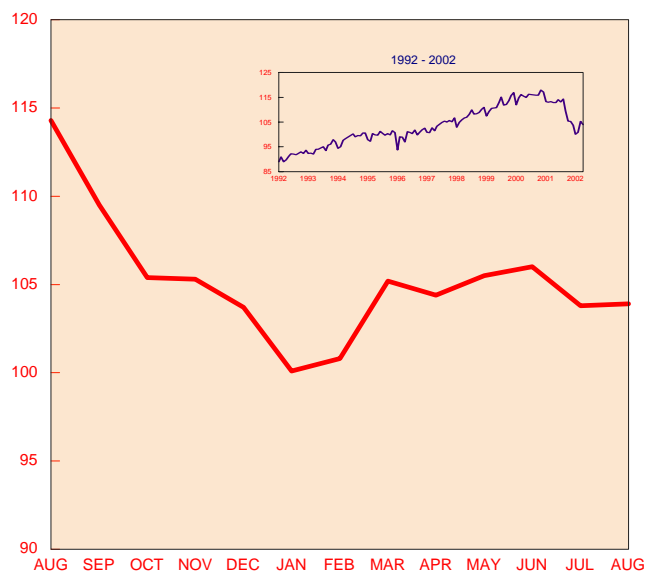
The following section includes a discussion of economic indices for two different geographic entities. The coincident indices assess current economic performance, while the leading indices signal what economic conditions will be in 9 to 12 months for the respective economies. Fairfax County's Indices are discussed first, followed by the Metropolitan Indices, which consider the Washington Metropolitan economy. Together, these indices are intended to provide a broad assessment of the economic climate confronting, and likely to impact, County residents and businesses.

FAIRFAX COUNTY COINCIDENT INDEX



Sources: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

METROPOLITAN COINCIDENT INDEX



Source: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

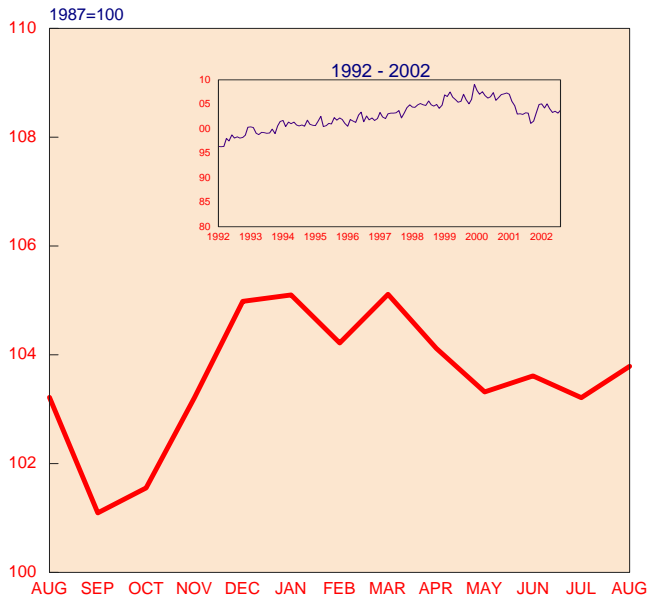
The Fairfax County Coincident Index, which represents the current state of the County's economy, decreased to 120.1 in August—a 1.2 percent decrease from July. The Index has been down in four of the last five months and is 5.3 percent below its August 2001 level. While the County's economy remains strong, uneven consumer spending and job growth has slowed the economic recovery. In August, three of the Index's four components contributed to its decrease. Total employment decreased for the fourth time in five months, consumer confidence decreased sharply for a second consecutive month and transient occupancy tax collections, adjusted for inflation and seasonal variation, decreased for the sixth month in a row. Sales tax collections, adjusted for inflation and seasonal variation, increased for the second consecutive month.



The Metropolitan Coincident Index, which reflects the current state of the Washington Metropolitan area economy, increased to 103.9 in August—a 0.1 percent increase over July. The Index has increased in three of the last four months, but is still 7.9 percent below its August 2001 level. Low consumer confidence and an increase in unemployment figures have prevented the Index from maintaining higher growth rates. In August, two of the Index's four components contributed to its increase. Domestic passenger volume at Dulles and Reagan Airports increased for the second month in a row and nondurable goods retail sales were up for the second consecutive month. Total wage and salary employment and consumer confidence both decreased for the second month in a row.



FAIRFAX COUNTY LEADING INDEX

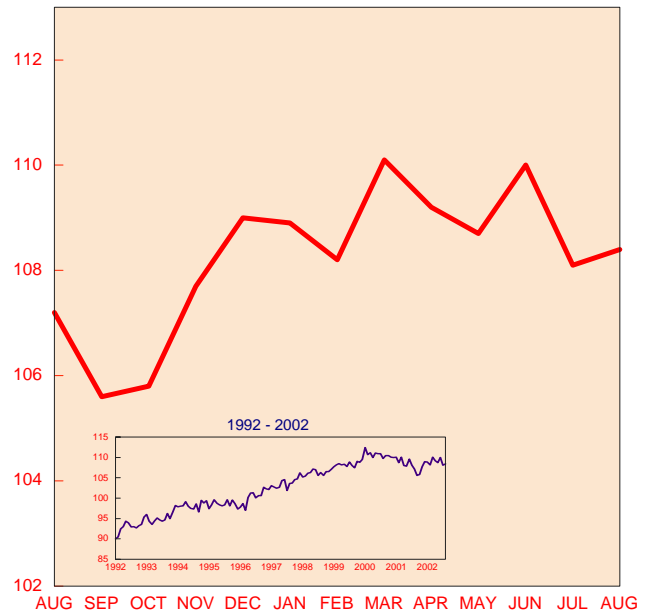


Sources: Center for Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

The Fairfax County Leading Index, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, increased to 103.8 in August—a 0.6 percent gain over July. The Index continues to track above its historical trend line, pointing to acceleration in the economy within in the next two quarters. In August, three of the Index's five components contributed to its gain. Initial claims for unemployment insurance decreased (improved) for the second time in three months. The total value of residential building permits increased for the second consecutive month and consumer expectations increased in two of the last three months. Residential building permits declined for the fifth month in a row and new automobile sales declined slightly.

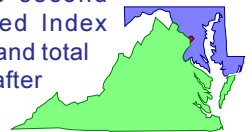


METROPOLITAN LEADING INDEX



Source: Center Regional Analysis, George Mason University
Compiled by the Fairfax County Dept. of Management and Budget

The Metropolitan Leading Index, which is designed to forecast local economic performance in the Washington Metropolitan area 9 to 12 months in advance, increased to 108.4 in August. The Index is up 1.1 percent over its August 2001 level and is tracking above its twelve-month moving average line. The increase in the Index signals a moderate expansion in the metropolitan area economy during the fourth quarter. In August, three of the Index's five components contributed to its increase. Consumer expectations were up in August after a sharp decline in July. Initial claims for unemployment insurance decreased (improved) for the second time in three months and the durable goods retail sales increased for the second consecutive month. The Help Wanted Index decreased for the second month in a row and total residential building permits were down after increasing in the previous two months.



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